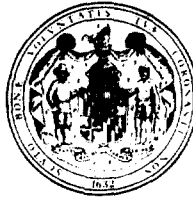


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November 14, 1997

Universal Service Administrative Company
100 South Jefferson Road
Whippany, New Jersey 07981

Dear Administrator:

On May 8, 1997, the Federal Communications Commission ("FCC") released Federal-State Joint Board on Universal Service, Report and Order, CC Docket No. 96-45, FCC 97-157 (Order). In that Order, the FCC adopted rules that require carriers to be designated as eligible telecommunications carriers ("ETCs") in order to be eligible for federal universal service support. Section 214(e)(2) of the Telecommunications Act of 1996 ("Act") requires state commissions to designate common carriers as ETCs for service areas selected by the state commission. In accordance with Section 214(e) and the FCC's Order, the Maryland Public Service Commission, in Order No. 73802, granted ETC status and service area designations to Armstrong Telephone Company, Bell Atlantic-Maryland, Inc. and MCI Telecommunications Corporation.

The Maryland Public Service Commission will re-examine ETC issues during its Universal Service proceeding (Case No. 8745). Further, the list is not intended to be exhaustive of all carriers that may be deemed ETCs within Maryland. Please do not hesitate to contact me should you have any questions regarding this matter.

Sincerely,

Daniel P. Gahagan
Executive Secretary

cc: Federal Communications Commission
Office of the Secretary
CC Docket No. 96-45
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

Federal Communications Commission
Universal Service Branch, ATTN: Sheryl Todd
CC Docket No. 96-45
8th Floor
2100 M Street, N.W.
Washington, D.C. 20554

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STATE OF MARYLAND
PUBLIC SERVICE COMMISSION

ORDER NO. 73802

IN THE MATTER OF THE PROVISION *
OF UNIVERSAL SERVICE TO TELECOM- *
MUNICATIONS CONSUMERS. *

BEFORE THE
PUBLIC SERVICE COMMISSION
OF MARYLAND

CASE NO. 8745

On May 8, 1997, the Federal Communications Commission ("FCC") issued a Report and Order *In the Matter of Federal-State Joint Board on Universal Service*, FCC-157 (the "Universal Service Order.")¹ In its orders, the FCC instituted several changes to federal universal service support mechanisms,² to take effect on January 1, 1998. By Motion filed September 29, 1997, the Commission's Staff petitioned for action by January 1, 1998 on several matters raised by the FCC. Additionally, the Armstrong Telephone Company, in a filing of October 7, 1997, requested action on behalf of it and its subscribers on some of these universal service matters.

Some of the federal universal service support mechanisms work with universal service programs specifically for the State of Maryland, as implemented by the General Assembly and this Commission.³ Also, it is possible that the FCC's changes to the

¹ On July 10, 1997, the FCC issued an order on reconsideration (FCC 97-246) in the same docket.

² Universal service support mechanisms are methods of making telecommunications services more affordable for low-income customers or customers who live in areas where the cost of providing telephone service is high.

³ For example, the Commission has authorized telephone lifeline services for eligible subscribers pursuant to *Md. Ann. Code art. 78, § 26A* (1996 Cum. Supp.).

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federal programs may result in additional federal support for Maryland lifeline customers. Moreover, Congress, in the Telecommunications Act of 1996 (the "Act"), determined that carrier participation in federal universal service support programs is dependent upon the carrier being designated as an Eligible Telecommunications Carrier ("ETC") by its state commission. Accordingly, it is important for this Commission to examine the federal requirements and to take the steps necessary to maximize the benefits to Marylanders from the federal programs.

Previously, the Commission has approved discount rate levels for schools and libraries.⁴ This action made Maryland's schools and libraries eligible for the federal universal service discounts. However, additional action on several subjects is needed at this time to reserve possible additional benefits.

First, § 214(e)(2) of the Act⁵ has given state commissions the authority to designate telecommunications carriers eligible for federal universal service support mechanisms under § 254(c) of the Act and subpart B of Section 54 of the Code of Federal Regulations ("C.F.R."). Eligible Telecommunications Carriers will be allowed to receive federal universal service support funds, if available, for certain customers located in designated portions of an ETC's service territory. To become an ETC, a carrier must use its own facilities to provide service, or a combination of its own facilities and resale of another carrier's

⁴ See Letter dated June 18, 1997 signed by the Commission's Executive Secretary, Daniel P. Gahagan.

⁵ See also the FCC's Universal Service Order, Par. 135.

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services. An ETC's lifeline plan also must comply with criteria set forth in 47 C.F.R. § 54.400-417, and the state commission must ensure that sufficient information is filed with the federal Universal Service Administrative Company ("USAC") demonstrating that compliance. 47 C.F.R. § 54.401(d). An ETC also must comply with FCC requirements regarding the advertising of its participation in universal service support programs.

In addition to designating ETCs, a state commission must designate service areas for the purpose of determining universal service obligations and support mechanisms. The FCC believes that "service areas should be sufficiently small to ensure accurate targeting of high cost support and to encourage entry by competitors." Universal Service Order, Par. 184.

Finally, several other matters require this Commission's attention to ensure maximum benefit flows to Maryland consumers. However, action on those items will be taken in a timely fashion, but not in this Order. Instead, this Order will address designation of ETCs in Maryland, issues related to ETC designation, and designation of universal support service areas.

By letter dated October 9, 1997, the Commission solicited petitions for ETC designation, and the designation of service areas sought by carriers wishing to become ETCs. The Commission allowed parties to file comments on Staff's Motion as well. The Commission received filings from Armstrong, Bell Atlantic-Maryland, Inc. ("BA-MD"), MCI Telecommunications Corporation ("MCI"), Comcast Telephone Communications of Maryland, Inc. ("Comcast"), Sprint Communications Company, L.P. ("Sprint"), the

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Office of People's Counsel ("OPC"), AT&T Communications of Maryland, Inc. ("AT&T"), Jones Telecommunications of Maryland, Inc., and the Cable Telecommunications Association of Maryland, Delaware, and the District of Columbia, Inc.

Armstrong requests designation as an ETC within its entire service territory, a rural portion of the northeast corner of the State. It states that it is an incumbent facilities-based local exchange carrier. Armstrong further advises that it will describe its participation in and rates for the federal universal service support programs in its 1998 telephone directories. Since the publishing deadline has passed for the 1998 directory, Armstrong plans to advertise, prior to January 1, 1998, its participation and rates in newspapers.

Armstrong claims that it is a "rural telephone company" pursuant to the provisions of the Telecommunication Act of 1996. Therefore, it proposes that its service area eligible for federal funds be its entire service territory.

Armstrong does not offer one of the services that the FCC requires all ETCs to provide.⁶ That service, toll limitation, has been defined by the FCC as the combination of toll control and toll blocking services. Toll control service allows customers to place a limited amount of toll calls per month. Toll blocking service allows customers to totally block the placement of toll calls from their phones. Armstrong offers neither service at present, but is prepared to offer toll blocking service. Armstrong requests a blanket waiver from the Commission for the

⁶ The services required by the FCC are listed at C.F.R. § 54.101(a).

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offering of toll control service until such time as the FCC acts on requests to allow carriers to offer just one of the two toll limitation services and still be eligible for ETC designation.⁷

Armstrong also does not offer, at present, lifeline telephone service, a precondition to being designated as an ETC eligible to receiving federal universal service support. Armstrong, in its filing of October 17, 1997, states its plan to file with the Commission an appropriate lifeline plan with an effective date not later than January 1, 1998.

No commentator opposed Armstrong's requests. The Commission, after considering those requests, finds it to be in the public interest to designate Armstrong as an ETC for its entire service area. Armstrong shall comply with the FCC's advertising requirements,⁸ and shall file not later than December 1, 1997 an appropriate lifeline program with the Commission with an effective date not later than January 1, 1998. The Commission also finds it appropriate to waive the filing of a toll control tariff by Armstrong pending the FCC's reconsideration of its Universal Service Order, but directs Armstrong to file an appropriate toll blocking tariff with an effective date of January 1, 1998. Armstrong shall file with the Commission, on or before

⁷ The Commission's Staff observes that in a Notice of Proposed Rulemaking, the FCC defined toll limitation service as toll blocking or toll control. See *In the Matter of the Federal-State Joint Board on Universal Service and Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Transport Rate Structure and Pricing, End User Common Line Charge*, CC Docket Nos. 96-45, 96-262, 94-1, 91-213, and 95-72 (September 4, 1997).

⁸ Included in this directive is the requirement that Armstrong review its proposed advertising with the Commission's Staff prior to publication.

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December 1, 1997, a package that the Commission can use to demonstrate to USAC Armstrong's compliance with the FCC's rules.

In addition to Armstrong, BA-MD and MCI filed requests for designation as ETCs. No parties oppose these requests.

BA-MD is a facilities-based incumbent local exchange company operating in all parts of the State save Armstrong's service territory. BA-MD asserts that its franchised service area, or study area, will encompass any service area ultimately designated by this Commission as eligible for universal service program participation. It states that it offers all services and lifeline programs⁹ required by the FCC for eligibility for universal service funds, and commits to any advertising requirements imposed by the Commission and to the filing of a toll blocking service available specifically without charge to qualifying lifeline program customers. BA-MD asks the Commission to file information with USAC demonstrating that BA-MD's lifeline plan meets the FCC's requirements, and pledges its assistance in doing so.

The Commission hereby designates BA-MD as an ETC. BA-MD shall begin to advertise the availability and prices for the services supported by federal universal service support mechanisms in newspapers in general circulation prior to January 1, 1998.¹⁰ Those advertisements shall be placed throughout BA-MD's entire service territory which shall, as an interim measure, serve as the

⁹ BA-MD's lifeline program is known as "Tel-Life."

¹⁰ BA-MD shall review its proposed advertising with the Commission's Staff prior to publication.

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service area delineating its universal service obligations and participation.¹¹ BA-MD also shall revise its Tel-Life tariff to make available a voluntary toll blocking service to qualifying Tel-Life customers, without charge. That tariff revision shall be filed not later than December 1, 1997, with an effective date on or before January 1, 1998. Finally, BA-MD shall prepare and file with the Commission, on or before December 1, 1997, a package that the Commission can use to demonstrate to USAC BA-MD's compliance with the FCC's rules.

MCI's filing of October 23, 1997, requests designation of it as an ETC with a service area of the entire State, save for that portion served by Armstrong. MCI states that it intends to offer all of the services supported by the federal universal service support mechanisms, using a combination of its own facilities and resale of another carrier's services. MCI pledges to advertise the availability and prices of those services throughout the service area using media of general distribution. MCI further commits to making lifeline service available to qualifying low income customers, including toll limitation service and the waiving of service deposits for low-income customers who initiate lifeline service with elective toll blocking.

The Commission accepts MCI's application to be designated as an Eligible Telecommunications Carrier. However, since MCI's application is based on commitments to comply with the eligibility requirements, in contrast to Armstrong's and BA-MD's

¹¹ The Commission will further define BA-MD's universal service area in a future universal service order to be issued in this proceeding in 1998.

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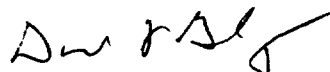
substantial existing fulfillment of those requirements, the Commission emphasizes that MCI is responsible for fulfilling its eligibility requirements in a timely fashion. The Commission grants MCI a universal service area coterminous with BA-MD's, but advises that MCI's area is also interim in nature, to be defined further in an Order to be issued later in this proceeding.

IT IS, THEREFORE, this 14th day of November, in the year Nineteen Hundred and Ninety-seven,

ORDERED: (1) That the requests of the Armstrong Telephone Company, Bell Atlantic-Maryland, Inc., and MCI Telecommunications Corporation, to be designated as Eligible Telecommunications Carriers, are hereby granted, pursuant to and conditioned upon the findings and provisions set forth in this Order.

(2) That this proceeding shall remain open on the docket of the Commission to consider additional universal telephone service matters.

By Direction of the Commission,



Daniel P. Gahagan
Executive Secretary